

FISCAL NOTE

Bill #: HB0225

Title: Establish state "rainy day" fund

Primary Sponsor: Laslovich, J

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary	FY 2003 <u>Difference</u>	FY 2004 <u>Difference</u>	FY 2005 <u>Difference</u>
Expenditures:			
General Fund	(\$3,455,000)	\$0	\$0
Revenue:			
Other	\$3,455,000	\$0	\$0
Net Impact on General Fund Balance:	(\$3,455,000)	\$0	\$0

- | | |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

- On passage and approval, this bill would create a budget stabilization trust fund. The balance in the trust fund is limited to 5% of the general fund budget for the preceding biennium. The following revenue is to be deposited in the budget stabilization trust fund:
 - 50% of the unexpended general fund balance at the end of each biennium after allowing for 30 percent of unexpended administrative appropriations.
 - proceeds of one-time judgments, awards, or settlements not dedicated to another fund
 - funds appropriated by the legislature
 - donations
 - interest on the fund
- The first transfer of unexpended general fund balance would occur after the end of the 2003 biennium.
- The executive budget proposes an ending general fund balance of \$6.91 million of which 50% would be transferred to the budget stabilization fund or \$3,455,000. A small but undeterminable portion of this may be offset by the allowance for 30% of unexpended administrative appropriations.
- No one-time judgments, awards, or settlements that will be received after the effective date of this bill are included in the revenue estimates in HJR2. Thus, for the purposes of this fiscal note, deposits to the budget stabilization fund during the biennium are assumed to be zero.

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(continued)

LONG-RANGE IMPACTS:

Half of the unexpended general fund balance at the end of fiscal 2005 will be deposited in the budget stabilization fund and the state will receive one-time judgments that will be deposited in the budget stabilization fund. Thus, there will be a balance in the fund, which future legislatures could appropriate. The balance will vary over time depending on the size of future general fund ending balances, future one-time revenue from litigation, and appropriations from the fund. The executive budget proposes to end the 2005 biennium with a balance of \$50.35 million implying approximately \$25 million would be transferred to the budget stabilization fund.

TECHNICAL NOTES:

1. Subsection 2(2) requires that “proceeds of litigation that come to the state through one-time judgments, awards, or settlements that are not otherwise encumbered or dedicated by law for deposit in a different fund” must be deposited in the budget stabilization trust fund. It is not clear whether back taxes, penalty and interest that are collected through litigation would be considered “one-time judgments” for the purposes of this bill. This fiscal note assumes that they would not, but the bill should make it clear.
2. Subsection 5(1) says “the legislature may transfer money to the fund.” The legislature may appropriate funds to be transferred, but the transfer would need to be made by an executive branch agency.
3. In certain circumstances transferring 50% of the ending general fund balance could trigger budget reductions as required under 17-7-140, MCA